

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 7065 – SB 7022

August 22, 2023

SUMMARY OF BILL: Requires the Division of TennCare (Division) to submit an application for a research and demonstration waiver to the federal Centers for Medicare and Medicaid Services (CMS) by December 31, 2023, to provide housing solutions for individuals in need of mental health services.

Requires the waiver application to include a requirement that the Division provide rent or temporary housing for up to six months for certain individuals with mental health disabilities or disorders, or who are experiencing other mental health challenges.

FISCAL IMPACT:

Increase State Expenditures - \$43,410,600/FY24-25 and Subsequent Years

Increase Federal Expenditures - \$82,362,600/FY24-25 and Subsequent Years

Other Fiscal Impact - If the Division of TennCare is able to secure a waiver to provide housing solutions for individuals in need of mental health services, then expenditures on other healthcare services may decrease. Such decrease is dependent on a number of factors and cannot be precisely quantified.

If the Division of TennCare is required to increase reimbursement rates for additional services then state and federal expenditures will increase. The impact of such increase is dependent on a number of unknown factors and cannot be reasonably determined.

Assumptions:

- The Division can submit the required waiver application utilizing existing personnel and resources.
- It is assumed that the Division will successfully negotiate with the CMS and the waiver will go into effect at the beginning of FY24-25.
- Based on an analysis of four other states with existing housing support waivers for Medicaid recipients (Arkansas, Arizona, Massachusetts, and Oregon), the Division estimates the cost of a housing waiver per total number of Medicaid enrollees to be \$85.94 per year.
- The Division is currently in the process of disenrolling individuals from Medicaid due to the end of the COVID-19 public health emergency.

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- Based on a projected estimated from the Kaiser Family Foundation, it is assumed that TennCare will have a total of approximately 1,463,500 enrollees in FY24-25.
- The total increase in expenditures for housing solutions for individuals in need of mental health services will be \$125,773,190 ($\$85.94 \times 1,463,500$) in FY24-25 and subsequent years.
- Medicaid expenditures receive matching funds at the rate of 65.485 percent federal funds to 34.515 percent state funds. Of this amount, \$43,410,617 ($\$125,773,190 \times 34.515\%$) will be in state funds and \$82,362,573 ($\$125,773,190 \times 65.485\%$) will be in federal funds.
- A 2016 study entitled *Health in Housing: Exploring the Intersection between Housing and Health Care* conducted by the Center for Outcomes Research and Education found that Medicaid-covered recipients who gained access to affordable housing accumulated lower medical expenditures and had fewer emergency room visits than when they were unhoused.
- If the Division is able to secure a waiver to provide housing solutions for individuals in need of mental health services, then expenditures on other healthcare services may decrease. Such decrease is dependent on a number of factors and cannot be precisely quantified.
- The CMS requires state Medicaid programs with housing support waivers to increase reimbursement rates for primary care services, OB/GYN services, and outpatient behavioral health services if they are not at least 80 percent of Medicare reimbursement rates.
- If the Division is required to increase reimbursement rates for additional services then expenditures will increase. Such increase is dependent on a number of unknown factors and cannot be reasonably determined.

IMPACT TO COMMERCE:

Increase Business Revenue - \$125,773,200/FY24-25 and Subsequent Years

**Increase Business Expenditures - Less than \$125,773,200/FY24-25
and Subsequent Years**

Assumptions:

- Individuals who provide housing services will experience an increase in business revenue for providing services estimated to be \$125,773,190.
- For companies to retain solvency, any increased expenditures will be less than the amount of increased revenues collected. Therefore, the net increase in business expenditures is estimated to be less than \$125,773,190.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid.

Krista Lee Carsner, Executive Director

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